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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Mattel's Second Quarter 2019 Earnings Conference Call.

(Operator Instructions)

As a reminder, today's conference is being recorded. I would now like to introduce your host for today's call, Mr. David Zbojniewicz, Vice President of Investor Relations. Mr. Zbojniewicz, you may begin.

David Zbojniewicz ***Mattel, Inc. - Head of IR***

Thank you, operator, and good afternoon, everyone. Joining me today are Ynon Kreiz, Mattel's Chairmain and Chief Executive Officer; Richard Dickson, Mattel's President and Chief Operating Officer; and Joe Euteneuer, Mattel's Chief Financial Officer. As you know, this afternoon, we reported Mattel's 2019 second quarter financial results. We will begin today's call with Ynon and Joe providing commentary on our results, and then we will provide time for Ynon, Richard and Joe to take your questions.

To help guide our discussion today, we have provided you with a slide presentation. Our discussion, slide presentation and earnings release reference non-GAAP financial measures including gross sales, adjusted gross profit and adjusted gross margin; adjusted other selling and administrative expenses; adjusted operating income and loss; adjusted earnings and loss per share; earnings before interest, depreciation and amortization, or EBITDA; adjusted EBITDA; and constant currency. Please note that the sales figures referenced on this call will be stated in constant currency. The information required by Regulation G regarding non-GAAP financial measures is included in the earnings release and slide presentation, and both documents are available in the Investor section of our corporate website corporate.mattel.com.

Before we begin, I'd like to remind you that certain statements made during the call may include forward-looking statements relating to the future performance of our business, brands and product lines. These statements are based on currently available information, and they are subject to a number of significant risks and uncertainties that could cause our actual results to differ materially from those projected in the forward-looking statements. We describe some of these uncertainties in the Risk Factors section of our 2018 annual report on Form 10-K, our 2019 quarterly reports on Form 10-Q, our earnings release and the presentation accompanying this call and other filings we make with the SEC from time to time as well as in other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law. Now I'd like to turn the call over to Ynon.

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

Thank you, everyone, for joining our second quarter earnings call. This was another strong quarter, demonstrating consistent progress in the execution of our strategy to transform Mattel into an IP-driven, high-performing toy company. We continue to gain traction and remain on track to achieve our goals to restore profitability and regain topline growth in the short-to-mid-term and to capture the full value of our IP in the mid-to-long-term.

Some of the more notable financial highlights compared to last year include the following: gross sales were up 1% as reported and 4% in constant currency; net sales were up 2% as reported and 5% in constant currency; adjusted gross margin was up 950 basis points. Adjusted operating income improved by $104 million. Adjusted EBITDA improved by $101 million. Adjusted EPS improved by $0.29. And year-to-date, operating cash flow improved by $156 million. We have also successfully achieved $754 million of Structural Simplification run-rate savings, exceeding our target of $650 million exiting 2019, 6 months ahead of schedule. This includes some savings already in our 2019 plan that are now classified in Structural Simplification. We expect to achieve another $100 million of run-rate savings by the end of the year and are continuing to work on additional cost reductions.

It was the fourth consecutive quarter where we achieved year-over-year improvements in four key metrics of profitability, including gross margin, operating income, EBITDA and EPS.

With that, our cumulative improvement in reported operating income over the past 4 quarters is $677 million, the largest improvement the company has seen in any 4 consecutive quarters in over 15 years.

Looking at our gross sales in constant currency. We achieved growth in the dolls and vehicles categories, where we are a global leader, as well as the action figures, building sets and games categories, where we are a challenger. The infant, toddler and preschool category saw decline but at a much slower pace than last year.

Our dolls category sales grew 6%, driven primarily by Barbie and continued momentum in Polly Pocket, partially offset by the expected decline in American Girl.

Barbie was up 13%, making it the seventh consecutive quarter of growth for the franchise. The American Girl turnaround is on track with product introductions and new pricing architecture coming in the second half of the year. In addition, our new digital consumer engagement platform, which is launching this fall, will offer a simplified, engaging experience and fresh new content that will drive the brand forward.

We recently announced a new leader for American Girl, Jamie Cygielman, who brings over 30 years of experience in innovation, marketing and business development as well as deep knowledge of the toy and entertainment industries. We will share more about the progress of the turnaround under her leadership later this year.

Looking ahead, the dolls category is well-positioned with new innovation across several brands. Barbie is expected to continue growing and we are gearing up to the launch of Polly Pocket globally as well as the highly anticipated BTS doll line.

Our vehicles category grew 3%. This was driven primarily by Hot Wheels which was up 9%, partially offset by the expected decline of Disney's CARS and Universal's Jurassic World vehicles post their movie launch years. This was the biggest second quarter for Hot Wheels in its history. This performance is especially notable given a tough comparison to the double-digit growth we achieved last year when we launched the 50th anniversary campaign.

We also introduced our innovative Hot Wheels id line, which was launched exclusively at Apple stores in June and on Amazon on Prime Day earlier this month. Distribution will expand to other retailers in the fall.

This is a great example of our ability to innovate classic product lines and introduce new retail activations to reimagine heritage brands for the next generation. We expect Hot Wheels momentum to continue in the second half of the year.

Our infant, toddler and preschool category was down 11%, largely due to the expected decline in Fisher-Price Friends and the loss of sales related to the Rock 'n Play product recall. Fisher-Price and Thomas & Friends was down 4% compared to a 15% decline last year. Fisher-Price core is showing an improving trend. We expect further progress in the second half of the year with the launch of LINKIMALS, Wonder Makers, Role-Play and the relaunch of Rescue Heroes as well as the introduction of new products based on third-party IP, such as Toy Story 4 and Frozen.

The decline in Fisher-Price Friends was driven by our effort to right-size our third-party licensing portfolio and exit low performing licenses.

Thomas & Friends was down in the quarter. We continue to work on simplifying the product range and are developing a new content strategy towards the 75th anniversary of the brand in 2020.

Action figures, building sets and games continued to show strength, together growing 23%. This is the second consecutive quarter of high double-digit growth for these challenger categories.

Toy Story 4 is doing very well, following the film's release on June 20th. According to NPD, our 7-inch action figure assortment has been the #1 selling action figures item in the U.S. for each of the past 8 weeks.

And the Jurassic World line is still performing well in its second year. We look forward to continuing our collaboration with Universal to further develop this evergreen franchise in conjunction with the launch of the animated series on Netflix in 2020.

Looking at our performance in the North America and International segments in constant currency. I'm proud to report growth in every region of the world. This growth has been broad-based across channels, customers and brands. Gross sales in the North America segment were up 1% versus last year's decline of 13%. This was another solid quarter across multiple categories with most customers performing above expectations. International gross sales were up 9% versus last year's decline of 5%. EMEA was up 13% versus last year's decline of 4%. Latin America was up 7%, following last year's growth of 12% and Asia Pacific was up 2% versus last year's decline of 24%.

Europe is a great case study of how our commercial team continues to execute a regional channel strategy and further develop omnichannel capabilities. While the European toy market has declined year-to-date through May, per NPD, we grew in key European markets including the U.K., France, Spain, Russia and Poland. We also maintained our leadership position in Latin America by focusing on and growing in the region's two biggest markets: Mexico and Brazil. And in Asia, we saw strong growth in Australia and good progress in China where we expect growth in the second half of the year.

As part of our mid-to-long-term strategy, we have been laying the groundwork to capture the full value of our IP. Mattel Films has strong momentum and we recently announced a partnership with Blumhouse Productions to develop a live-action feature film based on Magic 8 Ball. This marks the sixth live-action film project that Mattel Films has in development. The Barbie Movie, which we set up in partnership with Warner Bros. Pictures, is progressing well. We recently announced that Golden Globe Winner and Academy Award Nominees, Greta Gerwig and Noah Baumbach will write the screenplay for the film and we are very excited about this.

We have also set a date with Sony Pictures for the release of the Masters of the Universe movie in March 2021. This is shaping up as a big event film with strong marketing support and global retail activation behind it.

Our franchise management team is executing well on multiple fronts and has made several important announcements. We signed an international licensing agreement with Sanrio for the iconic franchise, Hello Kitty, and a number of other properties. We expanded our global licensing agreement with Disney and Pixar to develop products inspired by all of Pixar's existing film properties as well as the upcoming movie releases "Onward" and "Soul".

And we extended our agreement with Warner Bros. consumer products and will continue to be the lead toy licensee in the girl's preschool, diecast and games categories for the existing DC Universe franchises as well as new content for DC Super Hero Girls.

Achieving $754 million of Structural Simplification run-rate savings or $104 million above our target exiting 2019, 6 months ahead of schedule is a major accomplishment. In addition, we expect to achieve another $100 million of run-rate savings by the end of the year and are continuing to work on additional cost reductions. Structural Simplification has been a key driver towards restoring profitability and the benefits are clearly reflected in our P&L and cash position. It is also attributed to the commitment of the entire enterprise to take action, evolve and transform the way we operate.

While we have made major progress in cost savings, we also established a progressive organizational structure that is results-oriented and performance-driven that positions the company for growth. In the past year, we have done the following: redesigned a global commercial organization to accelerate growth by region and by market in core channels; reorganized brand groups around a global category management structure to gain market share and drive growth across toys categories; elevated the design and development functions and consolidated them into one global team to support category strategies rather than individual brands; continued to reset the American Girl retail footprint and restructured our leadership to implement the transformation of the brand; and brought new capabilities into the company in growth areas such as e-commerce and online retail, film, television and franchise management.

Another key area where we are making transformative progress is supply chain. Under new leadership we have made some important structural changes. Key performance metrics and service levels are already seeing improvements while lower cost of goods sold continues to contribute to strong growth in gross margin.

We are well underway in the execution of our Capital Light model with the consolidation of our two Mexico plants. As mentioned before, this is a multi-year, comprehensive effort focused on optimizing our manufacturing footprint, increasing productivity of our plant infrastructure and achieving efficiencies across the entire supply chain.

In closing, this quarter further demonstrates the continued momentum of our multi-year turnaround strategy. We delivered topline growth in our North America and International segments across all regions as well as growth in all categories but one. We exceeded our Structural Simplification target and still expect additional savings. We achieved the fourth consecutive quarter of improved profitability and continued to make progress in laying the groundwork to capture the full value of our IP.

Our mission is to create innovative products and experiences that inspire, entertain and develop children through play. We believe we are well positioned for the second half of the year and remain focused on methodical execution and the creation of long-term shareholder value. Now I would like to turn the call over to Joe, who will cover the financials in more detail.

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Thank you, Ynon, and good afternoon, everyone. I'd like to provide more detail and color on our second quarter results and to reaffirm our 2019 guidance.

As Ynon shared, gross sales were up 1%, as reported, and up 4% year-over-year in constant currency. The increase in gross sales was driven by growth in our challenger categories, which include action figures, building sets and games as well as our dolls and vehicles categories, partially offset by a decline in our infant, toddler and preschool category.

POS for Mattel was up mid-single digits in the quarter, excluding the impact of Toys "R" Us. Our reported gross margin was 39.7% of net sales, up 960 basis points from 30.1% in the second quarter of 2018. Our adjusted gross margin was 39.9% of net sales, up 950 basis points from 30.4% in the second quarter of 2018. The significant improvement in adjusted gross margin was primarily driven by the realized savings from Structural Simplification as well as favorable mix and lower obsolescence expense.

Advertising as a percent of net sales was 9.8%, which was flat year-over-year as expected. Reported SG&A was $308 million, a decrease of $52 million or 14% year-over-year. This included the absorption of $4 million of costs associated with the inclined sleeper product recalls. To the extent there are additional costs in the future, we will provide updates accordingly.

Adjusted SG&A was $290 million, a decrease of $18 million or 6%. This year-over-year improvement in adjusted SG&A was primarily driven by $30 million of realized savings from Structural Simplification, partially offset by $7 million of Toys "R" Us bad debt recoveries in the second quarter of 2018, and merit increases.

Adjusted operating loss was $30 million, an improvement of $104 million compared to a loss of $134 million in the prior year. Adjusted EBITDA was $42 million, an improvement of $101 million compared to a negative $59 million in the prior year. The substantial improvement in both adjusted operating loss and adjusted EBITDA was driven by Structural Simplification savings and additional gross margin expansion. Our income tax expense was $12 million in the second quarter.

Moving to the balance sheet. We ended the second quarter with a cash balance of $194 million. Our working capital decreased year-over-year as a result of lower prepaid expenses and improved accounts receivable collections partially offset by lower accounts payable and accrued liabilities combined. More specifically, improved collections resulted in a 3% decrease in accounts receivable despite increased sales in the quarter and resulted in a 5-day reduction in our days sales outstanding to 79 days.

Additionally, we continue to tightly manage our owned inventory, which increased 1%. We are comfortable with our inventory level and believe we are well positioned for the second half of the year.

Moving to cash flow. Our year-to-date cash flow used for operations improved by $156 million to $401 million primarily driven by a lower net loss excluding the impact of noncash charges. We continue to be confident about our capital structure, which includes our ABL credit facility, and that we have sufficient liquidity to both run our business efficiently as well as make strategic investments to grow the topline.

As Ynon said, we have successfully achieved $754 million of Structural Simplification run-rate savings exceeding our target of $650 million exiting 2019, 6 months ahead of schedule. The incremental $104 million in run-rate savings will not materialize in the P&L until 2020.

Please note that approximately $45 million of the $754 million relates to savings that were already in our 2019 plan and are now being classified as part of Structural Simplification. For these reasons, we now expect to realize about $270 million of Structural Simplification savings in 2019. As Ynon also mentioned, we expect to achieve another $100 million of run-rate savings by the end of the year and are continuing to work on additional cost reductions. These incremental savings will also not materialize in the P&L until 2020.

We are also executing our Capital Light model which includes the consolidation of our two manufacturing facilities in Mexico. In the second quarter, Capital Light resulted in $11 million of severance and restructuring expenses. We are currently estimating that this initial action alone will result in $30 million of annual savings starting in 2020. We expect additional costs related to the Capital Light model to impact our P&L in the second half of this year with benefits beginning in 2020. We will continue to share key developments as we make progress subject to competitive and confidentiality considerations.

As pleased as we are about our expected Structural Simplification and Capital Light cost savings, I would caution you not to simply add all of those incremental savings to 2020 operating income and EBITDA without considering a number of offsetting factors. These include, for example, strategic investments, noncash items and product cost inflation as well as macro factors such as foreign exchange, potential tariffs and the general economic environment.

In the second quarter, we spent $16 million on strategic investments, of which $13 million were part of our operating expenses. These investments were primarily related to our IT transformation and brand growth opportunities. Year-to-date, we have spent $27 million on strategic investments, of which $19 million were part of our operating expenses. The majority of our investment spend is clearly planned for the back half of the year.

Let me now review our 2019 guidance starting with the topline. While we are encouraged by our first half performance and we believe we are well-positioned for the second half, it is too early to change our revenue guidance for the year, especially considering the expected $30 million to $35 million volume loss related to our voluntary Rock 'n Play recall. We continue to expect flat year-over-year gross sales in constant currency partially offset by a 1% to 3% negative impact from foreign exchange.

Our adjusted gross margin will benefit from Structural Simplification savings. As a result, we continue to expect adjusted gross margin to be in the low 40s, a meaningful year-over-year improvement. This improvement includes the absorption of product cost inflation and the negative impact of foreign exchange. Sales adjustments are still expected to be in-line with the prior year.

Advertising expense dollars are still expected to increase year-over-year while remaining within our historical range of 11% to 13% of net sales. This will include increased strategic investments such as the development of online content to drive digital engagement.

We still expect adjusted SG&A to be down year-over-year on a dollar and percentage of net sales basis primarily due to the benefits of Structural Simplification savings. 2019 adjusted SG&A will still benefit from the absence of the full year Toys "R" Us net bad debt expense of $32 million recognized in 2018. The benefits from Structural Simplification and the absence of the TRU net bad debt expense will be partially offset by the planned increase in merit, SG&A strategic investments and inflation.

Overall, we still expect full year adjusted operating income to be slightly positive. While we have made strong progress in the first and second quarters and feel confident about our momentum going into the next two quarters, it is still too early in the year to change 2019 guidance. We continue to expect adjusted EBITDA to be in the range of $350 million to $400 million, essentially doubling our 2018 adjusted EBITDA.

Interest expense should still be marginally higher than 2018.

As it relates to taxes, the guidance we discussed in our Q1 earnings call hasn't changed. We still expect income tax expense of approximately $75 million to $100 million.

Turning to the balance sheet and cash flow. Capital expenditures will be roughly in line with 2018 and we still expect the change in net working capital this year to be neutral. As we continue to restore profitability, we expect to achieve positive cash flow from operations this year, for the first time in three years.

I'd like to make sure the future benefit of our additional savings from Structural Simplification and Capital Light is fully appreciated. As mentioned, the full benefit of the additional Structural Simplification run-rate savings above our $650 million target and incremental Capital Light savings will only be captured in 2020. But for the purposes of an illustration, if you were to apply the savings in 2019 relative to our adjusted EBITDA guidance of $350 million to $400 million and hold constant all other assumptions we gave you in February, which are on our website, net of noncash items, we believe the hypothetical impact would be an addition of approximately $200 million to our 2019 adjusted EBITDA guidance.

Again, this is just a hypothetical illustration of what would've happened if the benefits of these incremental savings were to materialize in 2019. Of course, you understand, it is too early to give any guidance on the 2020 performance of the business and many other variables will be relevant when we are ready to guide you on 2020.

In closing, we continue to execute our strategy to transform Mattel into an IP-driven, high-performing toy company. The benefits of the team's hard work are clearly materializing across the P&L. And we remain focused on sustained progress, methodical execution and the creation of long-term shareholder value. Thank you for your time today. We will now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Mike Ng with Goldman Sachs.

Michael Ng ***Goldman Sachs Group Inc., Research Division - Research Analyst***

I was just wondering if you could talk about some of your updated expectations for Fisher-Price. I think there was a point where you expected Fisher-Price to be flat on the year prior to the recall with the improving trends that you're seeing there and the new fall line yet to come, should we expect Fisher-Price to return to growth in the second half? And I have a quick follow-up.

Richard Dickson ***Mattel, Inc. - President & COO***

Michael, it's Richard. We are on track, the stabilization of Fisher-Price and we are starting to see some real positive signs for the brand globally despite the category decline for the quarter. We expect our trend to continue to improve into the back half. We're launching great innovation that we shared with you at Toy Fair, both with existing categories like LINKIMALS, which is in our infant segment. We've got those 3 new categories, Wonder Makers, Role-Play and actually, the relaunch of Rescue Heroes. So all in all, we really feel very strongly about the continued improvement in Fisher-Price.

Michael Ng ***Goldman Sachs Group Inc., Research Division - Research Analyst***

Great, thanks. And just one for Joe, if I could. It's encouraging to hear about the cost saving improvements coming in better than expected. Could you just provide a few more details and examples about where these cost savings are coming from and where you see the opportunities for the additional $100 million you used to have? And also when you talk about the progress you made in Capital Light, does that mean you guys have sold the factories or decided what you're going to do with your own factories?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

So let me work backwards for you. In regards to Capital Light, we did announce the consolidation of Mexico. So we're shutting down our Tijuana plant and consolidating it into our other plant that we have in Mexico, so that's been announced. You see reflected in the numbers the severance and restructuring costs along with our estimate of $30 million for savings in 2020 as associated with those actions. In regards to things that we are doing to achieve savings in Structural Simplification, they're all over the board. I'll give you a couple. In the design area, we're moving to a CAD system that will give us worldwide transferability of all of the designs rather than doing things on pen and paper. It will create big efficiency in regards to model building, in regards to costing our product, et cetera. We are putting in a global system for procure to pay so that we have better visibility of our spend and how to leverage our spend across different commodities. We are working on our obsolescence as far as inventory management. So whether it's a cost of goods sold or SG&A, there are a number of projects going on and I can go on for hours but I'll stop there.

Operator

Our next question comes from Arpine Kocharyan with UBS.

Arpine Kocharyan ***UBS Investment Bank, Research Division - Director and Analyst***

Joe, could you bridge the gap between your cost saves program and improvement in operating cash flow? I guess what I'm asking is what exactly are the non-GAAP charges you're expecting this year against cost saves to arrive at operating cash flow improvement? And then, I have a quick follow-up.

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Yes, sure. So basically, remember, in the cost savings program, as we eliminate tooling and some of those items, you'll get a benefit on depreciation and amortization that is really a noncash charge. It's a cash savings from a capital standpoint but not in EBITDA standpoint.

Arpine Kocharyan ***UBS Investment Bank, Research Division - Director and Analyst***

Okay, so for this year and considering that your severance costs are going to decelerate a little bit as well, is it fair to assume that it's going to be a little bit less than the $200 million gap that we saw in 2018 between what should have gone through operating cash flow versus what actually did flow through?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

I mean, there's a lot of moving parts to get to -- you're talking about cash flow from operations on the statements of cash flows? You've got to think about the working capital things that are going on there, too. So there's a lot of moving pieces. I don't know that I could point to one exactly to get you to the number but we are reiterating that we are going to be positive cash flow from operations for the full year, which is the first time in three years.

Arpine Kocharyan ***UBS Investment Bank, Research Division - Director and Analyst***

Right, right. And then on your slide deck, Page 22, you're referencing cost saves of about $854 million exiting 2019. And if I were to take your base, 2017 operating profit, which was close to, on a non-GAAP basis, about $160 million, $170 million of loss, for 2020 -- and I know you're not yet ready to give any operational sort of guidance for 2020 given it's so early and given the offsetting investments you have, regardless of how the topline grows, I guess what are -- what is the operating profit you're targeting in terms of absolute dollar amount improvement from that base of 2017? I know you've talked about inflation, you've talked about FX. You've talked about other factors, but in terms of where you have visibility which is investments, and you know that you're telling us that you're exiting 2019 with $854 million of run-rate cost saves, what should that improvement look like regardless of how the underlying operations performed?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Yes, I think what I'll try to do for you on the call was really tell you that it's so early in the year to talk about any expectations for 2020 or any guidance for 2020. Because remember, and you know better than anybody, that the back half of the year is really where all the performance of our business come from and in respect that we're still in the middle of the turnaround with a lot more work to do, it's really hard to have the visibility to the items to talk about for 2020. And therefore, that's why we gave the example using 2019 so that you could see that the savings coming from Structural Simplification and the start of the Capital Light program do go to the bottom line but you need to take into consideration all of the expense line items, whether it's our investments, whether it's a product cost deflation, you and I just discussed the noncash items and then some of the macro factors. I mean, like foreign exchange, potential tariffs and then what is the general economy going to be by the year end. So we just think it's a little too early to try to point to 2020, but we do have confidence in the back half of the year and where we're going and the momentum we're building and we will give you more later in the year.

Operator

Our next question comes from Greg Badishkanian with Citi.

Gregory R Badishkanian ***Citigroup Inc, Research Division - MD and Senior Analyst***

Could you talk about how your POS trended in the second quarter for the U.S., globally and any markets that were particularly strong or weak?

Richard Dickson ***Mattel, Inc. - President & COO***

Hey, Greg, it's Richard. We had great POS really, across the board. Most of the categories had significant growth in the context of POS. Barbie, of course, had a great quarter. Dolls overall was very strong for us. Vehicles had a great quarter as well. Hot Wheels in particular, internationally, was very, very strong. So overall, I'd say that our POS in general was very, very good. And also in markets. We're particularly proud of our European business. It's been a great turn around and across the board, we've seen great momentum, and we continue to see that in the back half.

Gregory R Badishkanian ***Citigroup Inc, Research Division - MD and Senior Analyst***

Good. Do you have any -- can you quantify that as well for Q2? I might have missed that, if you give that out.

Richard Dickson ***Mattel, Inc. - President & COO***

Well, I think we had strong single digit growth really across almost every category. And then action figure, building sets and games, we had strong double-digit growth. And that's actually -- you need to consider some of the factors are with TRU and ex TRU. But as we look at it with ex TRU, we had strong mid-single double-digit growth.

Gregory R Badishkanian ***Citigroup Inc, Research Division - MD and Senior Analyst***

Okay, good. And then just on the weaker part of your business, the American Girl business, good turnaround opportunity. Do you have -- what's the plan and when do you think you could turn around this business?

Richard Dickson ***Mattel, Inc. - President & COO***

Yes. As we mentioned, Ynon mentioned, we have a new leader at American Girl, Jamie Cygielman, who is well suited to lead the brand. We're really excited with her experience, both in fashion, in beauty and particularly in toys. American Girl, as you know, is a long-standing and really, generational franchise with an incredibly strong legacy and loyal fan base. We really have identified, as I've talked about, several key pillars in the transformation strategy. And some of the highlights and the initiatives I'm really excited to share this fall and certainly in the next quarter. We are evolving our website into a digital flagship. I've talked a lot about that, that will be a completely new digital consumer engagement platform. We're concentrating on a mobile-first focus. There will be new payment solutions, simplified shipping tiers and that's all actually rolling out as we speak. We're going to be enhancing some of the retail experiences that we have, particularly in our flagship, so I encourage everybody to start to visit our stores. You'll see great new enhancements, both in experiences and some of the character immersions that we're going to be doing. We are also introducing a new line architecture. Part of the brand transformation has been to infuse freshness into the line at a more frequent pace. So you're going to see some new product, differentiations in value, both at opening price points and really ultimate gift experiences. And then last but not least, really working hard on a revised content strategy, which we'll be able to share a lot more soon. So while it's going to take time to implement these changes and certainly achieve the desired outcome, this franchise is such an incredible, valuable and important part of Mattel's portfolio and we really do remain confident about its turnaround.

Operator

Our next question comes from Stephanie Wissink with Jefferies.

Stephanie Marie Schiller Wissink ***Jefferies LLC, Research Division - Equity Analyst***

I just want to ask a couple of clarification questions, if I could. The first is on POS. When you gave us the first quarter number, you had given us the adjustment for the Easter shift and I'm wondering if you're willing to do that again, what the benefit was in the second quarter from the Easter shift?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Yes. We really didn't provide that this time. We did have an upswing in POS as a result of the Easter shift for that period of time. But we haven't -- we didn't quantify it for anyone.

Stephanie Marie Schiller Wissink ***Jefferies LLC, Research Division - Equity Analyst***

Okay. And then, the second question, Joe, is just for you on gross margins. I know you are reiterating your low 40s target for the year but can you help us bridge kind of the first half to the second half in terms of what components of the improvement are going to come from Structural Simplification versus the mix benefit? And I wanted to tie that to a comment that you made in your prepared remarks that you expect Barbie to continue to grow in the back half. Just curious if you can extrapolate a little bit more on the competitive dynamics at play, not only from Frozen but to other doll brands that are coming online over the course of this year.

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Yes, sure. So on the Barbie one, why don't -- Richard, you want to talk about the competitive environment?

Richard Dickson ***Mattel, Inc. - President & COO***

Yes. Happy to talk about Barbie. Obviously we had a great Q2 with sales up 13%. As mentioned, the brand has had -- this is 7 consecutive quarters of year-over-year growth. And we're feeling very good about our product, positioning and marketing and the ability to continue to grow Barbie as well as the doll category. It's obviously a very competitive environment. It always is in the back half particularly with dolls. But Mattel is continuing to gain share and Barbie is in a very strong position in the context of its current trend. We've got a great lineup, great new product particularly in the younger girls segment, which we're very excited about. As you know, the estate strategy with Camper and Dreamhouse and accessories is an important part of our heritage as well as our marketing strategy for the back half. And the fashion base business, the Fashion Dolls themselves, have been doing extraordinarily well as we pride ourselves on inclusivity and diversity. And we're continuing to celebrate that it is truly the most inclusive and diverse Fashion Doll collection in the world. In fact, we'll be launching dolls reflecting permanent physical disabilities, including a doll in a wheelchair and a lot of other really very powerful cultural conversations but importantly, commerce drivers for the back half.

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

And in regards to your margin question, obviously, Structural Simplification will play a big part of the back half of the year. But remember, the majority of our manufacturing happens in the third, the back half of the year and that's when you're going to get the application of inflation. So that's the reason that is.

Operator

Our next question comes from Ray Stochel with Consumer Edge.

Raymond Leonard Stochel ***Consumer Edge Research, LLC - Analyst of Entertainment***

Can you help us frame how significant the consolidation of the Mexico plant is relative to your other plants? And is that $30 million savings reflective of what we could consider for maybe some of the other plants and your base, depending on what we want to assume you guys decide to do strategically?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Yes, no. You really can't just take -- extrapolate the one action that we've taken to all the other plants. The plants come in different size and shapes and manufacture different things. So just because of the sensitivity of this thing that we're going through, we just haven't provided any additional guidance but wanted to keep you updated as we take actions, we'll give you the update not only the cost incurred but also the savings plan as a result of the action.

Raymond Leonard Stochel ***Consumer Edge Research, LLC - Analyst of Entertainment***

Got it. That make sense. And then one on Masters of the Universe. Is there any data that you can use to help us frame the opportunity for that, whether it be prior sales for that brand or just general awareness of this brand globally?

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

Yes. This is an interesting question because we actually haven't commercialized the brand in 35 years. So it's hard to give you a data point, a recent data point, but the more important story here that we are seeing is that there is tremendous interest in many of our less active brands. And out of the six movies that we've announced so far, three are based on IP that we haven't commercialized in decades, which speaks to the strength and the depth of the catalog that we own. There are more projects we are working on and there is a theme here where we're seeing interest in some of our classic brands, classic IPs, that have deep cultural resonance and following. So expect more to come from other brands, not just Masters of the Universe, some of the brands that we haven't commercialized as toys in decades.

Richard Dickson ***Mattel, Inc. - President & COO***

While it's not data oriented, part of our industry celebrates a convention called Comic-Con. It's actually the largest pop-culture event in the world in San Diego and it features A-list celebrities, incredible activations from lots of different companies, primarily toy and leading entertainment properties. We showcase a lot of our properties there that we highlight. Generally, we tap into our licensed partners but we also show off our own toy-born pop sensations. And this year, we had Masters of the Universe displayed. And I can tell you, it was one of the most sensational Comic-Con booths out there. I mean, the lines for Masters, the fan base, was extraordinary. And it certainly got our internal teams and everybody incredibly excited about the future potential of this property's revival. But if Comic-Con was any indication of the fan base excitement and the reaction to this new property coming, then we are in a really, really good spot.

Operator

Our next question comes from Jaime Katz with MorningStar.

Jaime M. Katz ***Morningstar Inc., Research Division - Equity Analyst***

Given that EBITDA improvement you guys have displayed over the last handful of quarters, I'd be curious to hear if you have any internal debt-to-EBITDA targets you guys are shooting for. Because it looks like that improves pretty rapidly over the next 2 to 3 years.

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

So obviously, we were an investment grade company at one point and we definitely want to get back to investment grade. So have we set the exact number? No, but clearly, we want to get back to investment grade.

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

And I would add that this is a multiyear turnaround, and we are clearly making strong progress, which is encouraging. We have strong momentum and we intend to follow through. You will see more continuous improvement in profitability over time. But we need to stay grounded and remember that things do take time. This is not a quarter, a one-quarter story. We are laying the groundwork to capture value of our IP also in the mid-to-long term. So you will see also additional growth down the road but this will take time. But with that said, we're very encouraged and confident about the momentum we have and expect to see continuous improvement in the bottom line. I also want to reiterate the point that Joe made earlier, which is to achieve positive operating cash flow for the first time in three years is an important juncture. We continue to strengthen the company at the bottom line and strengthen our balance sheet overall with a better cash position and improved performance. It will take time but we are on our way.

Jaime M. Katz ***Morningstar Inc., Research Division - Equity Analyst***

Okay, and then with regard to tariffs, have there been any proactive steps you guys are taking to reposition the business in the event that tariffs are enacted?

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

Yes. As it relates to tariffs, our job is to design an organization that is flexible and can respond to exogenous factors, including tariffs and other conditions. We are being watchful of the potential tariff that may be implemented, and if implemented, would impact the entire toy industry. We have contingency plans in place and we're working closely with the retailers to ensure that we are aligned on our approach to mitigate the tariffs. Keep in mind that if they -- if tariffs were to take effect, it doesn't mean that Mattel will bear the full impact of these tariffs. There are several levers that we can pull to offset the potential impact, such as price increases, find different alternative suppliers, work with our product development and procurement teams to optimize our product mix and sourcing options and transition to a different manufacturing structure that gives us the flexibility and mobility to leverage our resources, which is exactly where our Capital Light model comes into play. So as it relates to our Capital Light model, this is where we are taking a holistic approach and looking at all the factors that make up the entire -- build up the entire picture, including tariffs. This is not just about tariffs. It's about the overall strategy to optimize our cost structure and the way we manufacture product, distribute them and place them on the shelves.

Operator

Our next question comes from Tim Conder with Wells Fargo.

Timothy Andrew Conder ***Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst***

Just a couple here, gentlemen. BTS. Any color on preorders or the outlook for that product line versus the expectations you had 90 days ago, whether that's on the figures, dolls or on some of the game products that you showed there at the Toy Fair?

Richard Dickson ***Mattel, Inc. - President & COO***

Yes. Tim, it's Richard. Yes. We are incredibly excited about BTS. It went on presale most recently but we'll be launching it at mass actually next week. It sets fully at retail. Presale results have been strong. In the U.S. actually, all of the dolls broke into the top 20 on Amazon in the first 24 hours. We had some really incredible, and frankly, expected success in Asia, particularly in Korea and obviously, presale was designed to stimulate the market, create the kind of frenzy and demand that this industry is so well-known for. We also had a really unique digital reveal of the doll line and we combined some of our other IP like Barbie, which has been some of the best episodes on YouTube, Barbie Vlogger, which included BTS. So, so far, we are incredibly happy with the presale results and the demand creation program that we've created and next week, we launch the brand fully en masse and we are excited to see the results.

Timothy Andrew Conder ***Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst***

Would you say, Richard, that -- how was that versus where you thought it would be 90 days ago, I guess, would be another way to sort of ask the question?

Richard Dickson ***Mattel, Inc. - President & COO***

This brand, to be honest with you, this brand every day seems to get more and more anticipation, both from consumer demand as we see in the digital dialogue as well as retail appreciation for the hot pop-culture sensation that BTS is. So our expectations were pretty high for presale but they delivered even more against them. And as I said, presale is really to create and stimulate even more frenzy and demand and it did just that.

Timothy Andrew Conder ***Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst***

Okay, and then I guess on another brand, you touched on it very briefly, I think Ynon did in the preamble. But any color on Toy Story 4, how that's performed versus expectations year-to-date?

Richard Dickson ***Mattel, Inc. - President & COO***

Yes. Toy Story 4 has come out strong. Obviously, the film was released on the 20th of June, exceeded expectations. It was tracking, I believe, to be the number 1 animated opening of all time. Our product line has been extraordinarily well received. In fact, we've had the number 1 action figure in the U.S. for the past 6 weeks and within the top 5 growth properties globally. We are -- couldn't be happier with our partnership with Disney, the collaboration and the efforts. They've done a brilliant job. Our team has executed incredibly well and we anticipate that the back half will be equally as strong and exciting. Some of the products are getting global recognition, particularly the 7-inch action figure assortment, which has been the number 1 selling action figure item in the U.S. for the past 8 weeks.

Timothy Andrew Conder ***Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst***

Okay, and just a clarification, it sounds like the China inventory issue you had, that overhang has cleaned up. And if I heard you right, it sounds like China's set up very well to grow here in the back half of the year.

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

That's correct. We feel confident about China. We have a new leader that recently started and we feel good about the work we're doing there.

Operator

Our next question comes from Felicia Hendrix with Barclays.

Edward Harrisson Wendel ***Barclays Bank PLC, Research Division - Research Analyst***

Good afternoon. This is Ed Wendel, on for Felicia. Just have 2 quick ones here. I guess so -- maybe this one's for Joe. You've given us some pretty solid numbers this year. I mean, really strong sales growth. A lot of upside surprise on these cost savings. And I guess I get you're trying to be cautious with the guide. You said it yourself earlier but I guess I'm still having a hard time understanding why you're just reiterating 2019 guidance. So I guess what are the key risks or headwinds here that are keeping you cautious?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

It's not so much headwinds as if you think about the numbers we talked about earlier was on, like, on strategic investments. I've only spent $27 million in the first half of the year and my guidance to you is $90 million for the full year. So between strategic investments and the fact that it's too early in the year to really be changing guidance and so much of the performance happens to the business in the back half of the year. It's just -- there's so much going on in the back half. It really wouldn't be prudent for us to be giving updated guidance at this point. In the future, we will look at where we are.

Edward Harrisson Wendel ***Barclays Bank PLC, Research Division - Research Analyst***

Okay, sounds like there's a lot of moving parts here. Okay, and just one follow-up here. Just thinking about next year, obviously, you have more cost savings coming online which should drive EBITDA. But could you point out any, I guess, major headwinds or tailwinds from 2019 that go away when we think about 2020?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

Well, so as we said, we haven't given any guidance for 2020. I tried to use the illustration that I gave in trying to give you the impact of Structural Simplification and Capital Light about all the things one would need to consider, like, we haven't made a decision yet on how much strategic investments we're going to have. We don't know what inflation is going to be for next year. So there's just a number of items that it's just too early to predict what they're going to be and we really want to see the back half of our performance before we lock in any plans for 2020.

Edward Harrisson Wendel ***Barclays Bank PLC, Research Division - Research Analyst***

Got it. It makes sense. And then just one last one. This is for Ynon. You were -- you were recently quoted saying that your movie strategy isn't to make movies to sell toys but more to have a cultural impact. And I guess while I can understand that the movie builds the franchise and if the franchise is strong, the toy sales will come. But if you're not thinking about the toys at all as you produce the film, is there a risk that you make a decent movie but it doesn't move the needle on your toy sales?

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

Yes. So we talked about our film strategy as part of the opportunity to capture value of our IP. We remain very bullish and confident about the toy side of the company. And there's a lot that goes on in this area, and the numbers are starting to show and expect more to come. And what we are doing in addition to that, we're looking to participate in highly accretive verticals, industries that are in some cases, are actually bigger than the toy industry. Where we have the opportunity to commercialize our IP. We say that our catalog, our portfolio is made of some of the strongest brands, franchises, in children and family entertainment in the world. And so we have an opportunity to make a big play and generate what potentially could become transformative impact economically for the company. Now to be successful in these verticals, you have to approach these areas and try to be successful there on their own merit. So we're looking at these verticals, we want them to be successful in and of themselves. If your approach is to make a movie in order to sell more toys, this is risky at the short-term, consumers see through it and you're risking failure. What we are saying is we are looking to make content that people want to watch. We're looking to make great and quality experiences that will attract consumers and be successful in and of themselves. And if we do that, good things will happen. And of course, we will sell more toys. Of course, there will be a halo effect on the franchises and we will benefit long-term. But you do have to take a long-term view, invest in the franchises, create product, experiences, film, television, live events, music, all of this at high-quality and make that successful, those areas successful, in and of themselves. And if you do that, good things will happen. And I also remind you that as a byproduct of these areas, you can generate meaningful upside from merchandise and consumer products. This is not just about toys. So there are many opportunities that we will be able to drive if we are successful in extending our brands to these other highly accretive verticals.

Operator

Our next question comes from Michael Swartz with SunTrust.

Michael Arlington Swartz ***SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst***

Joe, just -- with regards to the cost savings programs that are going on. I think in the past, you've given us some parameters of expected cost inflation that will be offset in 2019. I think it was $190 million at one time. Do you have any update on that?

Joseph J. Euteneuer ***Mattel, Inc. - CFO***

No. We reiterated our guidance for the full year and as the original estimate was $90 million for inflation for this year. And remember -- the reason we haven't updated is because of the manufacturing happens in sort of in the third and going into the fourth quarter. And that's where the application of inflation will happen and we'll see how that comes out.

Michael Arlington Swartz ***SunTrust Robinson Humphrey, Inc., Research Division - Senior Analyst***

Okay, great. And then, moving on to Jurassic Park. I think historically, kind of the rule of thumb is year two, you see a 50 -- you see that business cut in half. Could you maybe talk about how that property is performing in year two?

Richard Dickson ***Mattel, Inc. - President & COO***

Sure, Michael. As we said at the beginning of the year, we were working very closely with our partner at Universal to create a program with them for Jurassic to, in fact, circumvent the traditional downside of a movie year two and outperform those benchmarks. I'm happy to tell you that our shipping and sales are all on track for our 2019 goals. We are actually outperforming, in some cases, internal benchmarks, particularly for a year after movie shipping. Typically, that decline will be north of 50%, 60% in some cases. And we are significantly beating that trend. As I mentioned, it is in total collaboration, working with Universal, to turn this property into an evergreen franchise. We've got great continued momentum with the property, terrific new innovation, great new products as well. And we have a great plan as well for 2020, working with Universal to continue the momentum.

Operator

And our next question comes from Linda Bolton-Weiser with D. A. Davidson.

Linda Ann Bolton-Weiser *D.A. Davidson & Co., Research Division - Senior Research Analyst*

I wanted to just focus in on gross margin for a little bit. And you've said you still expect in the low 40% area for the year. And the Street is kind of in that area, I think the consensus is around 42%. So for the second half last year, you started to have better gross margin improvement. So are we going to start looking at like a year-over-year flattening of gross margin in the second half and especially in the fourth quarter where you really had, last year, very good improvement in gross margin from the third to the fourth quarter last year. So are we going to see -- I mean, do you still think you can grow the gross margin now that you're up against, your anniversarying, the big improvements you started to make?

Joseph J. Euteneuer *Mattel, Inc. - CFO*

Sure. So we just reiterated our guidance for the year. And a couple of things that I did point out is, yes, we will get some benefit from Structural Simplification. But you have to take care -- take into account the inflation that will happen tied to all of the manufacturing that will go on in the back half of the year. So it's hard to give more specifics at this time, but we feel good about the momentum we have and where we are exiting these back two quarters.

Linda Ann Bolton-Weiser *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And then can I just ask about -- I think you said in the commentary somewhere that Enchantimals was actually down year-over-year. And I only bring it up because this was an example of a new product line that was launched, and it was really doing very well in the beginning of its launch and now, I guess it seems to be declining. So it just kind of makes me wonder about the core competency of being able to develop brands that become evergreens, that are successful for multiple years and how do we think about that when we think about your bringing out this LINKIMALS thing and this Rescue Heroes, which is a returning brand? So how do we get confidence that these new things that you're bringing out are going to have legs and become evergreen toys?

Ynon Kreiz *Mattel, Inc. - Executive Chairman & CEO*

Hi, Linda. I don't think we mentioned Enchantimals in the prepared remarks. But what is important to say is that we have developed a category structure where we are taking a portfolio approach to the business. Where we look to align and focus our resources on six key toy categories. As you know, we are a global leader in three of the categories. This is dolls, vehicles and infant preschool and we are a challenger in the other three categories which are games, building sets and action figures whereby each category has its own leader, strategy and anchor franchises. What we're doing with this structure is effectively, we're able to work across the entire IP portfolio and leverage our core expertise and capabilities in each of these categories at scale rather than focus on individual brands. So we are moving the conversation from talking about one brand or the other but rather, we're talking at categories at scale. And this is an important transition that the company is taking as we're looking to build long-term growth. As it relates to Enchantimals, I'll let Richard expand and give you more color.

Richard Dickson *Mattel, Inc. - President & COO*

Sure. Linda, we're pretty -- we're actually very proud of Enchantimals. Enchantimals is in its third year and as a third-year brand, it's continuing to have some strong performance. For instance, in Europe, it's second year in markets like Europe where, according to NPD, it's the number two small doll in countries like Germany and it's the number five doll in super categories in Europe, Russia, Belgium. So there are great indications in performance of the brand. And it's important. And I think you understand that this is an industry that has cycles. There are incredible product or brands that are launched. It has a lifecycle. It goes through that lifecycle and then the smart strategic companies come out with the next thing to fill the pipeline. And certainly, we hope that the pipeline fills with the opportunity to keep these brands and/or translate them into evergreen brands, of which Mattel is fortunate to have multiple evergreen brand properties. But we are well known for introducing new brands that have lifecycles and some of these lifecycles have different connections around the world. We call them regional gems. And right now, I would define Enchantimals as a regional gem in Europe, continuing to outperform expectations there and hopefully will continue into evergreen status. But as you know, the industry is filled with launches that last for a period of time. And fortunately, Mattel has many that have tested that model for many, many, many years.

Operator

Our next question comes from William Reuter with Bank of America.

William Michael Reuter ***BofA Merrill Lynch, Research Division - MD***

I just have one. You -- for -- when you laid out the Structural Simplification, $650 million, you were continuing to work towards that goal and then we see this pretty dramatic increase to $850 million. Was there one or two things that you've learned through the process that allowed you to, I guess, dramatically alter something with regard to manufacturing or some sort of the cost savings in terms of headcount? I guess how do I bridge those two numbers?

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

Yes. Hi, Bill. Look, this has been a comprehensive effort to restructure the way the company works. This is not just about cost-cutting or cost savings or cost reduction. This is reengineering, re-architecture of the way the company operates and runs on a day-to-day basis. We go through weekly meetings where the leadership, the external leadership team of the company is directly involved in designing these changes and owning them because they also have -- we also have to work with those changes after they're being implemented. And those actions touch every part of the company. We said it before, but I can't emphasize it more in terms of the breadth and depth of the changes that we are driving. And this is -- and also to remind you that the numbers we talk about don't include the Capital Light model where we're looking to transition, that we're working on our factories around the world. So this is before we achieve the benefits into our Capital Light model. So we've said in the last quarter that we expect to exceed $650 million run-rate savings. So here we are at $754 million and when I was saying that we are still working on additional savings that we've already identified and are in process and, therefore, we are confident that we will be able to achieve another $100 million, and potentially more because we continue to work on additional improvements. But the message is this is not purely about cost reductions but about reengineering the way we operate. And as we do that, you probably know that we are also able to drive topline because we -- in redesigning the way we operate, we believe we can perform better, achieve higher, stronger results and you're seeing it in the numbers. So we are setting the company to be a healthy, result-oriented, performance driven enterprise and continue to achieve more additional improvements in our numbers.

Operator

And our final question will come from Eric Handler with MKM Partners.

Eric Owen Handler ***MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst***

Two for Richard. Richard, earlier this year, you had some solid hopes for recovery with Thomas based on the new season of programming on Nick Jr. Wondering how that's performed so far?

Richard Dickson ***Mattel, Inc. - President & COO***

Yes. Thanks, Eric. Nick's performed okay. In fact, we have some areas of the world where it's performing very well and others where it's just okay. And okay isn't good enough, and I think we've mentioned that we are continuing to work very hard on trying to figure out, with this incredible heritage brand, what the narrative needs to be to continue to keep it relevant for today and tomorrow. There are a variety of continued tests in the content arena with some of the most creative people I've met recently in the preschool space that are working on the Thomas narrative moving forward. So to be completely transparent, it's been okay on Nick. Nick's been terrific in the context of partnership but we can do better, and we are planning on continuing to improve the content and the narrative for this incredibly important, rich heritage storytelling brand. It continues to be a really important part of our preschool portfolio. As you know, it's multigenerational as a franchise. We've got theme parks, consumer products, live events and content is a really important part of keeping the brand relevant. So we'll continue to update everyone on the progress we're making. But we're certainly not there yet.

Eric Owen Handler ***MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst***

Okay, and then on the flip side, it seems that MEGA is starting to show some positive momentum. How sustainable is that?

Richard Dickson ***Mattel, Inc. - President & COO***

Yes. Thank you for calling that out. We're seeing our efforts on MEGA's turn around really starting to make impact this year. As you can see, our global shift was up double digits. A lot of it's driven by distribution gains. Our commercial team has done an incredible job extending distribution around the world with MEGA. Our partnerships with retailers and those programs are working, certainly better than they have in the past. And we have a great well-positioned back half for the year, strong support for our core MEGA Bloks infant preschool segment, which as you know is the famous 80-piece bag which is the key item in the MEGA collection. That, along with some incremental distribution for properties like Pokémon, we're feeling some newness with HBO's Game of Thrones which I can't even tell you the amount of collector interest that we have for that particular segment. And PJ Masks is also a new addition in the MEGA portfolio. So I appreciate you calling out MEGA. It is a challenging category for us or we're a challenger in the category but a lot of the efforts and strategic initiatives that we've been making moving forward are starting to put scores on the board.

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

And Eric, just like to make another comment to -- following what Richard said. Expanding these two -- the other brands that have been declining in touching, you mentioned Thomas, obviously, we are working on Fisher-Price, American Girl, MEGA that up until recently was a declining brand. So while the performances of these brands have been impacting topline and profitability, we believe all of these brands have strong potential to become growth engines in the coming years. All of these brands are iconic, timeless franchises with very high awareness and built-in fan base, for the most part globally, with the exception of American Girl. We believe their intrinsic value has not been reflected in the numbers and that their underperformance is not about the underlying quality or appeal of these brands. We are now taking a different approach and we are confident that we have the right leadership, the right strategy, creative capabilities, organizational structure, brand expertise and product offering to turn around these franchises and return them to growth. You're seeing the start of it with MEGA and hopefully, we will be able to demonstrate it with the other brands as well.

Operator

Ladies and gentlemen, thank you for participating in today's question-and-answer session. I would now like to turn the call back over to Ynon Kreiz for any closing remarks.

Ynon Kreiz ***Mattel, Inc. - Executive Chairman & CEO***

Thank you. Thank you, everyone, for joining the call. This was another strong quarter where we've demonstrated consistent progress towards our goal to transform Mattel into an IP-driven, high-performing toy company. Our turnaround strategy is working. We continue to gain traction and remain on track to restore profitability and regain topline growth in the short-to-mid-term and capture the full value of our IP in the mid-to-long-term. We talked about a lot of things today on the call. We extended it beyond the initial time. We're happy to take more questions later on and address any comments that you may have. But I would say that, all in all, strong quarter. We're making real, tangible progress and continue to focus on consistent, methodical execution to drive our strategy. And with that said, thank you so much, and we'll be happy to follow up later.

David Zbojniewicz ***Mattel, Inc. - Head of IR***

Thank you, Ynon, and thank you, everyone, for joining the call today. The replay of this call will be available via webcast and audio beginning at 8:30 p.m. Eastern time today. The webcast link can be found on our website and on our investor page or for an audio replay, please dial (404) 537-3406. The passcode is 617-1977. Thank you for participating in today's call.

Operator

Ladies and gentlemen, thank you for your participation. You may all disconnect and have a wonderful day.